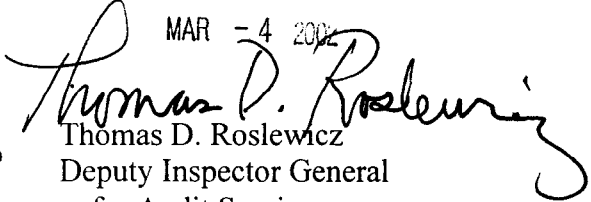


**Memorandum**

Date

MAR - 4 2002

From


Thomas D. Roslewicz
Deputy Inspector General
for Audit Services

Subject

Office of Inspector General's Partnership Plan – New York State Comptroller Report on Duplicate Medicaid Payments to School Districts and Counties for School and Preschool Supportive Health Services Claims (A-02-02-01006)

To

Neil Donovan
Director, Audit Liaison Staff
Centers for Medicare & Medicaid Services

As part of the Office of Inspector General's partnership plan with State auditors we are transmitting the final report entitled, *Duplicate Medicaid Payments to School Districts and Counties for School and Preschool Supportive Health Services Claims* (Report 2001-S-11). The audit addressed New York State's practices for controlling Medicaid payments to school districts, counties, and Article 28 facilities for certain diagnostic and health support services provided to eligible students for the period January 1, 1997 through December 31, 2000. The New York State Office of the State Comptroller (OSC) performed the review. Our work was conducted as part of the continuing partnership efforts with State auditors to expand audit coverage of the Medicaid program. We have performed sufficient work to satisfy ourselves that the attached audit report can be relied upon and used by the Centers for Medicare & Medicaid Services (CMS) in meeting its program oversight responsibilities.

We suggest you share this report with the CMS components involved with program integrity, provider issues, and State Medicaid agency oversight, particularly the Center for Medicaid and State Operations.

The objective of the review was to determine whether Medicaid payments to school districts, counties, and Article 28 facilities for the 4-year period ended December 31, 2000 were appropriate. The OSC identified over 7,800 School and Preschool claims totaling \$3.4 million in which school districts and counties billed for services that might have duplicated Article 28 services billed during the same period. School district officials confirmed that approximately \$1.2 million in claims duplicated Article 28 billings for the same services and informed the OSC that the duplicated billings occurred because of school district billing errors. Moreover, the Medicaid Management Information System (MMIS) did not prevent payment of these bills because the system lacked the computer controls that might have alerted management to the errors.

In addition, there were \$130,000 in payments that were correct, and \$2.07 million in potentially duplicate Medicaid payments to school districts and counties that had not been reviewed by State officials by the close of the audit.

The OSC recommended that the New York State Department of Health (Health):

- < Recover the \$1.2 million (Federal share \$600,000) in duplicate Medicaid payments and void the appropriate claims.
- < Investigate the remaining \$2.07 million (Federal share \$1.035 million) in Medicaid payments that may have duplicated Article 28 billings. Recover duplicate payments and void the appropriate claims.

Further, the OSC recommended that the Health and the New York State Department of Education:

- < Develop controls to prevent duplicate Medicaid payments for services provided through the School and Preschool Supportive Health Services programs.
- < Instruct school districts and counties in proper billing practices.

Officials from both agencies generally agreed with the report's recommendations and indicated the steps they have taken or will take to implement the recommendations. As we do with all audit reports developed by nonfederal auditors, we have provided as an attachment, a list of the coded recommendations for use by your staff in working with the State to resolve findings and recommendations through your stewardship program. The attachment provides a summary of the recommendations contained in the OSC audit report for the 4-year period ended December 31, 2000.

If you have any questions about this review, please let me know or have your staff contact George M. Reeb, Assistant Inspector General for Health Care Financing Audits, at (410) 786-7104.

Attachment

Summary of Recommendations
Contained in Report 2001-S-11

Recommendation Codes	Page	Federal Share Amount	Resolution Agency	Recommendations
337906031	4	\$600,000	CMS	Recover the \$1.2 million in duplicate Medicaid payments and void the appropriate claims. ¹
337906032	4	\$1,035,000	CMS	Investigate the remaining \$2.07 million in Medicaid payments that may have duplicated Article 28 billings. Recover duplicate payments and void the appropriate claims. ¹
299919101	4	N/A	CMS	Develop controls to prevent duplicate Medicaid payments for services provided through the School and Preschool Supportive Health Services programs.
299920101	4	N/A	CMS	Instruct school districts and counties in proper billing practices.

¹ As Medicaid funds are recovered, the State should make adjustments for the Federal share on its Quarterly Medicaid Statement of Expenditures to CMS.

H. CARL McCALL
STATE COMPTROLLER



A. E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 1, 2001

Antonia C. Novello, M.D., M.P.H., Dr. P.H.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Carl T. Hayden
Chancellor
The University of the State of New York
State Education Building
Albany, NY 12234

Re: Duplicate Medicaid Payments to School
Districts and Counties for School and
Preschool Supportive Health Services Claims
Report 2001-S-11

Dear Dr. Novello and Mr. Hayden:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have audited the Department of Health's and State Education Department's practices for controlling Medicaid payments made to providers through the School and Preschool Supportive Health Services programs. Our audit covered the period January 1, 1997 through December 31, 2000.

A. Background

The Federal Individuals with Disabilities Education Act (IDEA) requires states to provide appropriate special education and related services to children with disabilities or special needs. Section 1903 of Title XIX of the Social Security Act, passed in 1988, allows states to supplement allocated state funds for these services with Medicaid dollars. Prior to 1988, all costs to the states for providing these services were funded through state educational allocations.

Sections 368 (d) and (e) of the New York State Social Services Law authorize the use of Medicaid funds for the School Supportive Health Services (School) and Preschool Supportive Health Services (Preschool) programs. Both programs were developed by the New York State Education

Department (Education) and Department of Health (Health). The joint goal of Health and Education is to help school districts and counties obtain Medicaid reimbursement for certain diagnostic and health support services provided to students with disabilities or special needs. In the School program, students aged 5 to 21 years receive special education services from their school districts. In the Preschool program, students aged three to four years receive special education services through the counties.

Health is responsible for administering the State's Medicaid program and for ensuring the accuracy and appropriateness of Medicaid payments. It uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process and pay Medicaid claims. To identify incorrect or inappropriate payments, claims are processed against computer edits within MMIS. During the four-year period ended December 31, 2000, Medicaid paid approximately \$2 billion for both School and Preschool services in New York.

Education is responsible for monitoring the School and Preschool programs to ensure that school districts and counties comply with the requirements of the Federal IDEA and that the special education needs of the children of New York are met. School and Preschool services are diagnostic, evaluative and supportive services that meet the students' specific medical, not educational, needs. Such services include physical, occupational and speech therapy, psychological counseling, skilled nursing, basic and comprehensive psychological evaluations, medical and audiological evaluations, and transportation.

School and Preschool services are provided by or under the direction of an appropriate health practitioner who must assure that the services are medically appropriate. Practitioners can be employees of the school districts or counties or can be under contract to school districts and counties to provide these services. When school staff members provide Medicaid-eligible students with services, the school district or county bills Medicaid directly for reimbursement. (The New York City Board of Education bills Medicaid on behalf of New York City's various school districts and counties.) When contractors provide the services, the contractor bills the school district or county, which reimburses the provider for the service and then bills Medicaid for reimbursement.

These billing practices are not required for facilities established by Article 28 of the Public Health Law. Article 28 facilities are engaged in the prevention, diagnosis and treatment of human disease, pain, injury, deformity or physical condition. Health allows an Article 28 facility, which can be a hospital, public health center, or diagnosis and treatment center such as a clinic operated by the United Cerebral Palsy Centers, to bill Medicaid directly for School services it provides to students. Either the county or Article 28 facility can bill Medicaid for Preschool services.

B. Audit Scope, Objective and Methodology

As related to the School and Preschool programs, we audited Health's and Education's practices for controlling the Medicaid payments to school districts, counties and Article 28 facilities for the four-year period ended December 31, 2000. The objective of our financial-related audit was to determine whether these payments were appropriate. To accomplish our objective, we reviewed applicable laws, regulations and the *School and Preschool Medicaid Claiming/Billing Handbook* and we interviewed individuals representing Health, Education, the NYC Board of Education and the Albany City School District. In addition, we developed computer programs to analyze and compare

School, Preschool and Article 28 claims paid by MMIS during our four-year audit period. Using computer assisted audit techniques, we matched claims according to common descriptions of the services provided, such as speech therapy or physical therapy.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess the practices of Health and Education included in our audit scope. Further, these standards require that we understand the internal control structures of Health and Education and their compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that we identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

C. Results of Audit

We identified over 7,800 School and Preschool claims totaling \$3.4 million in which school districts and counties billed for services that may have duplicated Article 28 services billed during the same time period. We asked officials of the NYC Board of Education and the Albany City School District to review their respective claims, since their claims totaled almost \$2.2 million, or 64 percent of the payments in question. Of this \$2.2 million, school district officials confirmed that approximately \$1.2 million duplicated Article 28 billings for the same services. Of the remaining \$1 million, \$130,000 in payments were correct, and \$840,000 in payments had not been reviewed by the NYC Board of Education and the State Education Department by the close of our audit.

School district officials informed us that the \$1.2 million claims duplicated Article 28 billings because of school district billing errors. Although Article 28 facilities can bill Medicaid directly for School services and may be eligible to bill Medicaid directly for Preschool services, they are still required to report to the school districts and counties, describing the services they provided. However, when the Article 28 facilities submitted their reports, NYC Board of Education and Albany City School District staff erroneously billed Medicaid for the services described in the reports. Moreover, MMIS did not prevent payment of these bills because the system lacked the computer controls that might have alerted management to the errors.

In addition to the \$840,000 in payments from the NYC Board of Education that had not been reviewed, another \$1.23 million in duplicate Medicaid payments may have been made to other school districts and counties. Considering the number of duplicate payments we identified as paid through the NYC Board of Education and Albany City School District, we believe that Health and

Education officials should investigate these remaining Medicaid payments totaling \$2.07 million (\$840,000 plus \$1.23 million) to determine whether these payments duplicated Article 28 billings.

Recommendations

To Health:

1. *Recover the \$1.2 million in duplicate Medicaid payments and void the appropriate claims.*
2. *Investigate the remaining \$2.07 million Medicaid payments that may have duplicated Article 28 billings. Recover duplicate payments and void the appropriate claims.*

To Health and Education:

3. *Develop controls to prevent duplicate Medicaid payments for services provided through the School and Preschool Supportive Health Services programs.*
4. *Instruct school districts and counties in proper billing practices.*

We provided draft copies of this report to Department of Health and State Education Department officials for their review and comment. Officials from both agencies generally agreed with the report's recommendations and indicated the steps they have taken or will take to implement them. Complete copies of Health's and Education's responses are included as Appendix A and Appendix B, respectively.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Health and the Chancellor of The University of the State of New York shall report to the Governor, the State Comptroller and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Major contributors to this report were Lee Eggleston, Kenneth Shulman, William Clynes, Sheila Emminger, William Warner, Sharon Whitmore, Larry Julien, Carrie Zusy and Marticia Madory.

We wish to thank the management and staff of the Department of Health and the State Education Department for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

K. M. McClune

Kevin M. McClune
Audit Director

cc: Ms. Dierdre A. Taylor



STATE OF NEW YORK
DEPARTMENT OF HEALTH

Corning Tower The Governor Nelson A. Rockefeller Empire State Plaza Albany, New York 12237

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner

Dennis P. Whalen
Executive Deputy Commissioner

October 18, 2001

Kevin M. McClune
Audit Director
Office of the State Comptroller
Alfred E. Smith State Office Building
Albany, New York 12236

Dear Mr. McClune:

Enclosed are the Department of Health's comments on the Office of the State Comptroller's draft audit report 2001-S-11, entitled "School and Preschool Supportive Health Services Program".

Thank you for the opportunity to comment.

Sincerely,

Dennis P. Whalen
Executive Deputy Commissioner

Department of Health
Comments on the
Office of the State Comptroller's
Draft Audit Report
2001-S-11 Entitled
"School and Preschool Supportive Health Services Program"

The following are the Department of Health's (DOH) comments in response to the Office of the State Comptroller's (OSC) Draft Audit Report 2001-S-11 entitled "School and Preschool Supportive Health Services Program".

Recommendation #1:

Recover the \$1.2 million in duplicate Medicaid payments and void the appropriate claims.

Recommendation #2:

Investigate the remaining \$2.07 million Medicaid payments that may have duplicated Article 28 billings. Recover duplicate payments and void the appropriate claims.

Response #1 and #2:

The Office of Medicaid Management (OMM) has always vigorously audited and recovered any and all Medicaid payments that were deemed to be duplicate payments.

Recommendation #3:

Develop controls to prevent duplicate Medicaid payments for services provided through the School and Preschool Supportive Health Services programs.

Response #3:

The Department will continue to vigorously recover all payments that have been identified as duplicative payments. The Department will also work with New York State Education Department (SED) to build on the controls in place for payments for SSHSP/PSHSP services.

Recommendation #4:

Instruct school districts and counties in proper billing practices.

Response #4:

DOH and SED have been providing instructional seminars once or twice a year in regional settings since the inception of the program. In addition, we provide the school districts and counties with a Medicaid Claiming/Billing Handbook. OMM feels that this instruction and the handbook are the reasons for the small percentage of error found by OSC. OMM will continue to emphasize this issue in future training sessions.



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

Chief Operating Officer
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October 5, 2001

Mr. Kevin McClune
Audit Director
Office of the State Comptroller
Division of Management Audit
and State Financial Services
Alfred E. Smith State Office Building
Albany, New York 12236

Dear Mr. McClune:

The following are the New York State Education Department's comments to the recommendations contained in the Draft Audit Report (2001-S-11) for the period January 1, 1997 through December 31, 2000. This was an audit of the Department of Health's and State Education Department's practices for controlling duplicate Medicaid payments made to providers through the School and Preschool Supportive Health Services programs.

The Department agrees that the citations and recommendations for the Education Department listed in the Draft Audit Report 2001-S-11 are factually accurate and appropriate.

For Health:

Recommendations 1 and 2:

These recommendations do not require a response from the Department since they are addressed to the Department of Health.

For Health and Education:

Recommendation # 3:

Develop controls to prevent duplicate Medicaid payments for services provided through the School and Preschool Supportive Health Services programs.

The following procedures have been implemented to monitor, and where applicable, to establish edits for duplicate Medicaid claims for services provided by Article 28 facilities and submitted by both the Article 28 facility and the School or Preschool Supportive Health Services programs:

- The New York City Board of Education (NYCBOE) has instituted edits within their software to prevent inappropriate duplicate billing of services provided by an Article 28 facility. NYCBOE submits all eligible claims directly into the Medicaid Management Information System (MMIS).

- The Central New York Regional Information Center (CNYRIC) is responsible for the submission of claims for eligible services provided students from all upstate school districts in New York State. Since school districts and counties are the providers of services under SSHSP and PSHSP, CNYRIC does not collect the data on facilities or individuals with whom they might contract with for the actual provision of the service. Therefore, CNYRIC cannot institute an edit, similar to the above, in order to prevent such duplicate billings.
- The Department, in concert with the Department of Health, will periodically review payments made by the MMIS to both the Article 28 facilities and school districts or counties for the same service on the same date. Upon the identification of duplicate claims they will be investigated and duplicate claims will be voided.
- The Department will keep the school districts and counties informed of appropriate claiming procedures through periodic field memoranda, regional training sessions with school districts and counties, the Medicaid Guidebook and updating the Medicaid WEB page.

Recommendation # 4:

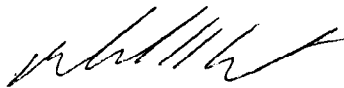
Instruct school districts and counties in proper billing practices:

- School districts and counties will be instructed in proper billing practices using the following mechanisms:

Regional Training Sessions;
Medicaid Billing/Claiming Handbook;
Field Memoranda;
NYSAC conferences;
Individual Training Sessions to meet with District Staff or County personnel to review documentation or maximize Medicaid efforts.

If you have any questions regarding this response, please contact Robert Scalise at (518) 474-9341 or at rscalise@mail.nysed.gov.

Sincerely,



Richard H. Cate

cc: Thomas Hamel
Robert J. Scalise
Commissioner Antonia C. Novello
Ms. Dierdre A. Taylor